



Treasury Oversight Committee

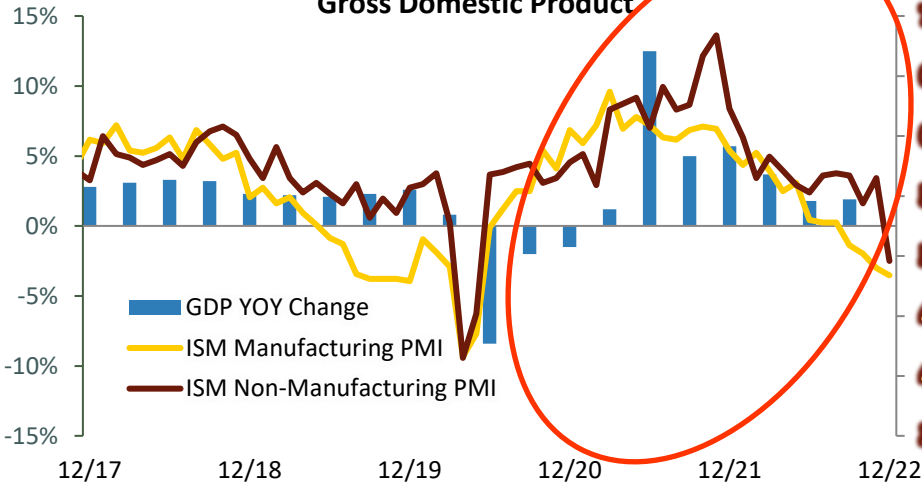
January 20, 2023

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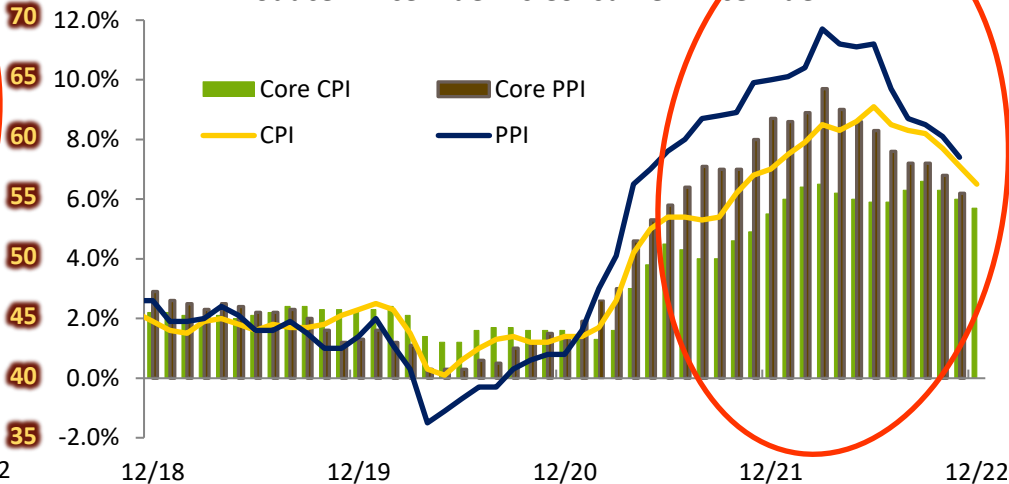
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Key Economic Data

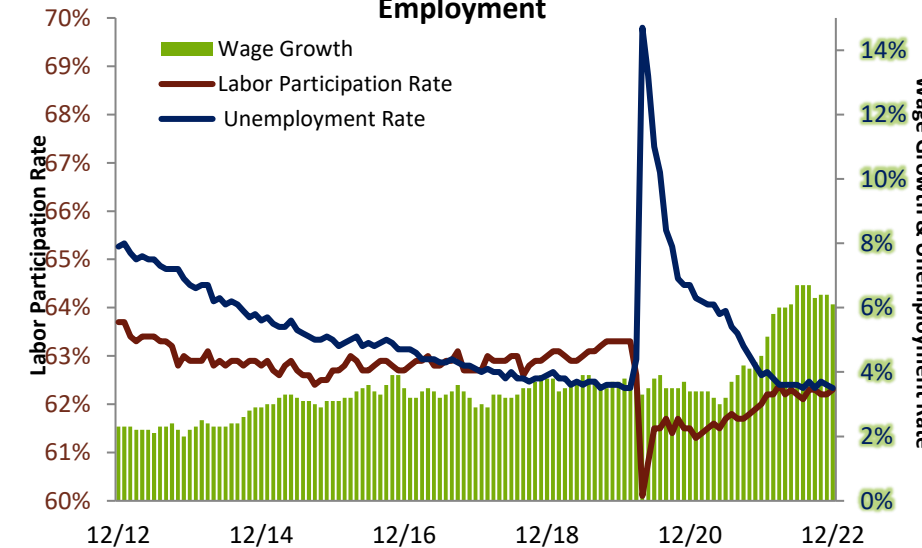
Gross Domestic Product



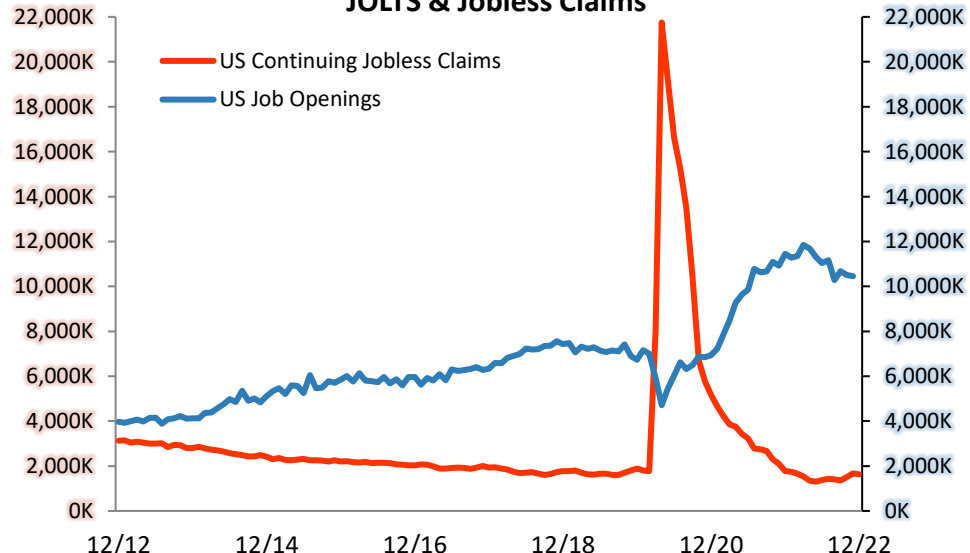
Producer Price Index vs Consumer Price Index



Employment

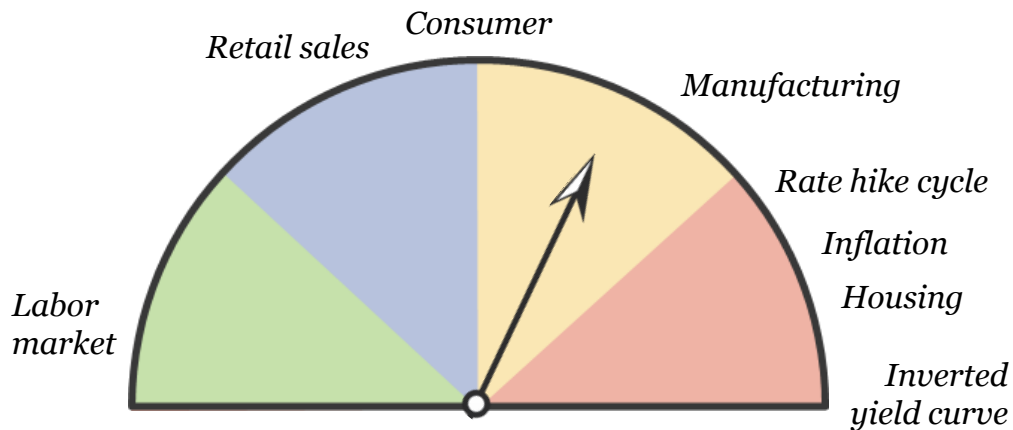


JOLTS & Jobless Claims

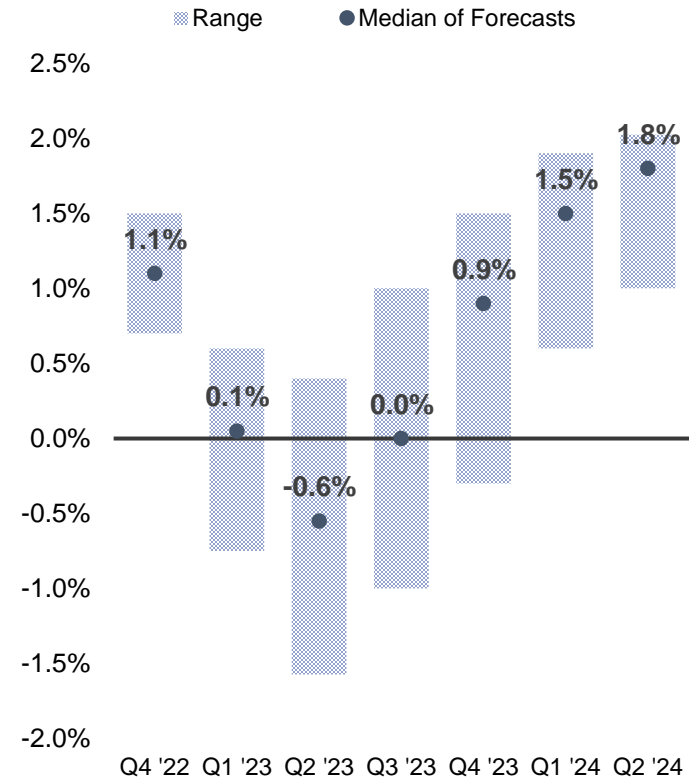


Recession Gauge Flashing Yellow, But GDP Expected to Grow by End of Year

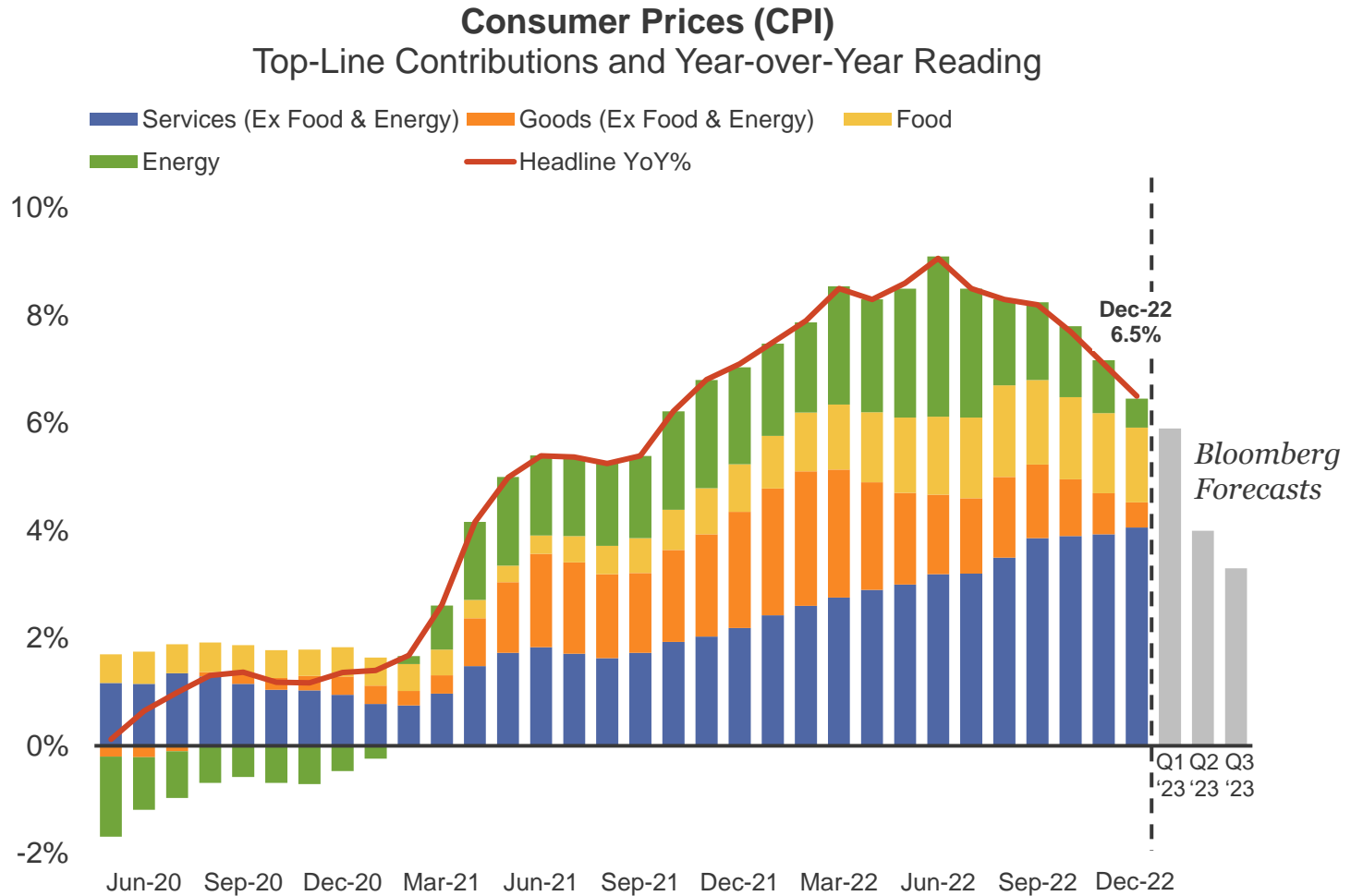
Recession Risk



U.S. GDP Forecasts Annualized Rate



Inflation Now Trending Lower

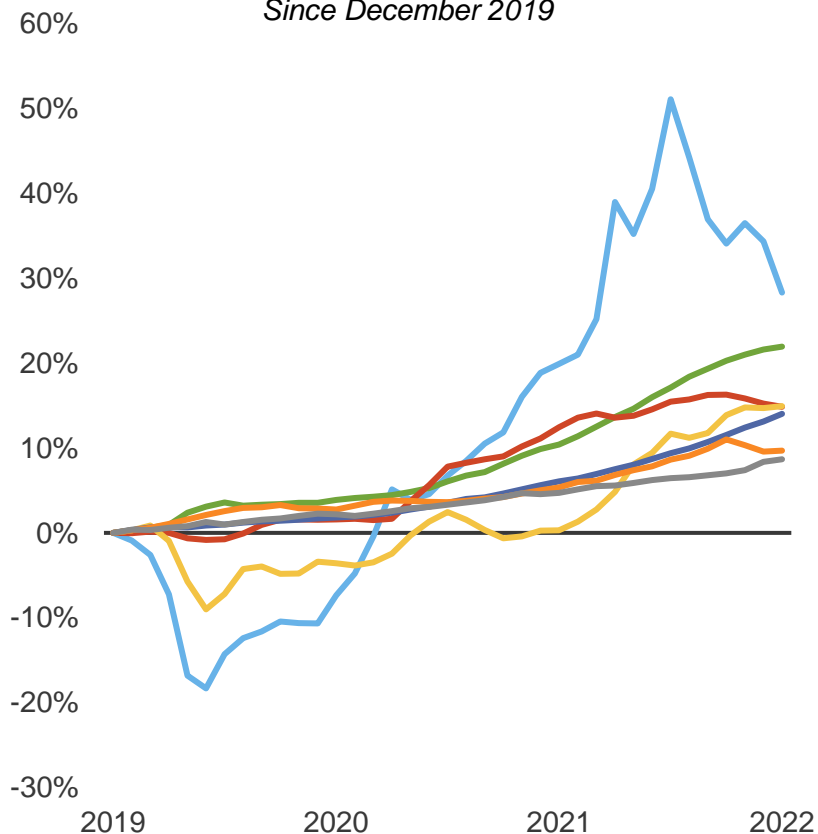


Lower energy and goods prices help to offset increases in wage-driven services costs

Growing Disinflation in Goods Sectors Helps Drag Inflation Against Shelter and Transportation

Price Change of Major CPI Components

Since December 2019



CPI Component	12-mo. Change	Weight ¹	Contribution to YoY CPI
Energy	7.0%	7.9%	0.6%
Food	10.4%	13.8%	1.4%
Goods	2.1%	20.9%	0.4%
Transportation	14.6%	6.0%	0.9%
Shelter	7.5%	32.9%	2.5%
Medical services	4.1%	6.8%	0.3%
Other Services ²	3.8%	11.7%	0.4%
Overall	6.5%		

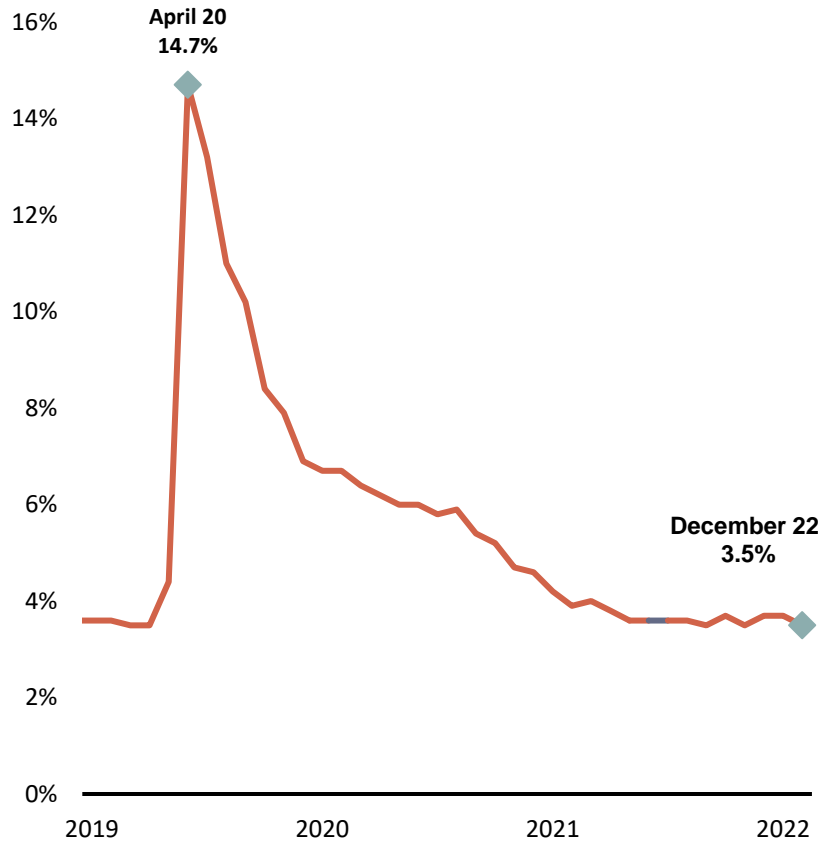
Source: Bloomberg, Bureau of Labor Statistics as of December 2022.

¹Index weights are as of November 2022 as they are published on a one-month lag.

²Other services is a weighted blend of Water/Sewer/Trash, Household Operations, Recreation, and Education and Communication services.

U.S. Economy Added 223,000 Jobs in December; Unemployment Rate Fell to 3.5%

Unemployment Rate



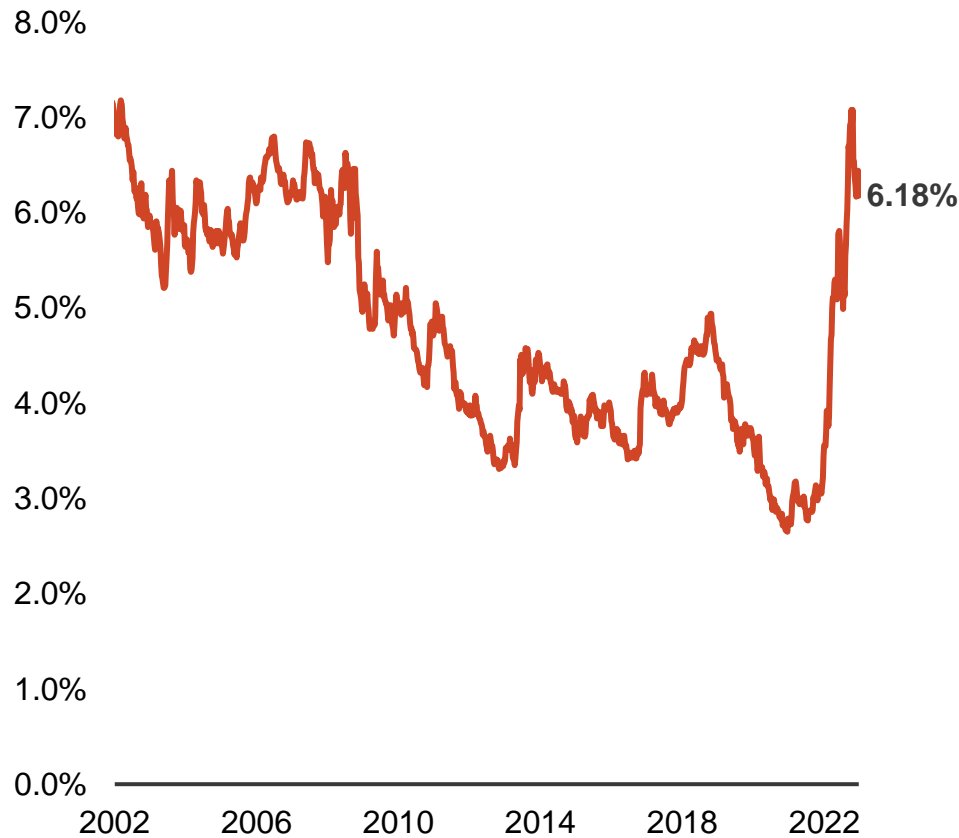
Labor Force Participation Rate



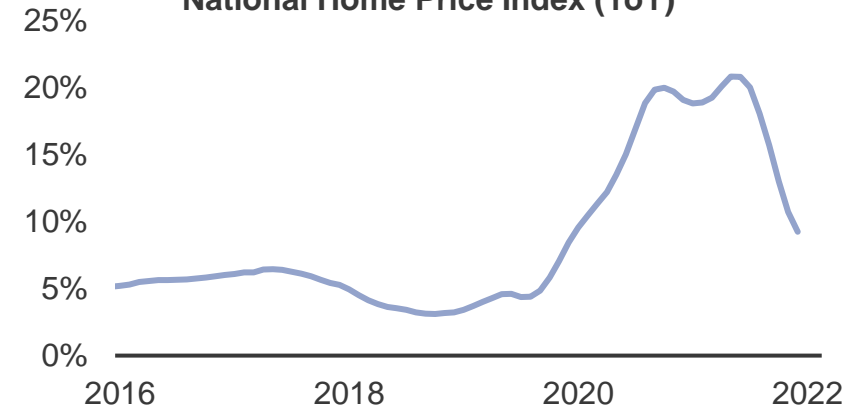
Source: Congressional Budget Office December 2022 economic projections, Bureau of Labor Statistics. Bloomberg, as of December 2022. Data is seasonally adjusted.

Higher Rates Have Pushed Housing Market into Slowdown

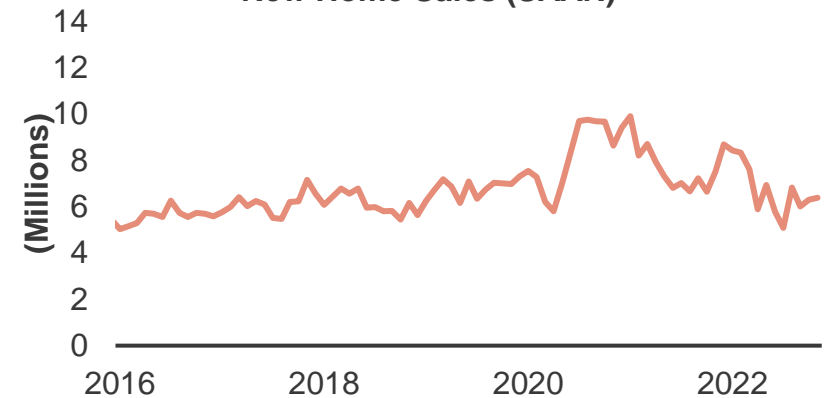
Freddie Mac 30-Year U.S. Mortgage Rates



National Home Price Index (YoY)



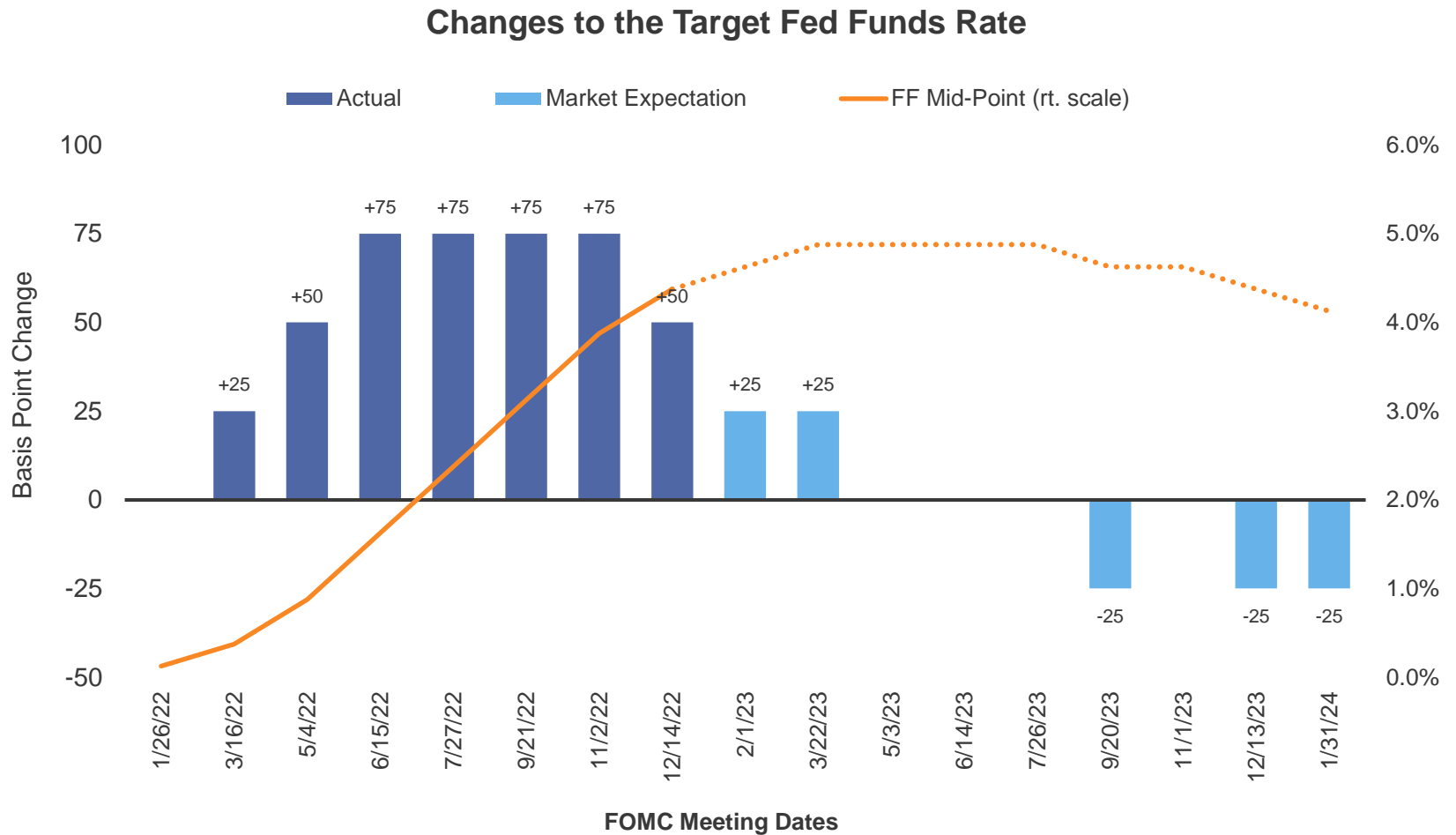
New Home Sales (SAAR)



Source: Bloomberg, Freddie Mac Commitment Rates as of 01/17/2023.

- ▶ Minutes from December 13-14 meeting were released this week, highlighting some concerns the Fed has regarding their progress in the hiking cycle
 - ▶ The Fed affirmed its focus first and foremost on fighting inflation and returning price stability to the economy and back to a target of 2% vs. the most recent CPI reading at 7.1%
 - ▶ “...several participants commented that historical experience cautioned against prematurely loosening monetary policy” in the face of the stubbornly high level of inflation
 - ▶ “Participants noted that...an unwarranted easing in financial conditions, especially if driven by a misperception by the public of the committee’s reaction function, would complicate the Committee’s effort to restore price stability,” as financial conditions have recently eased to a certain extent

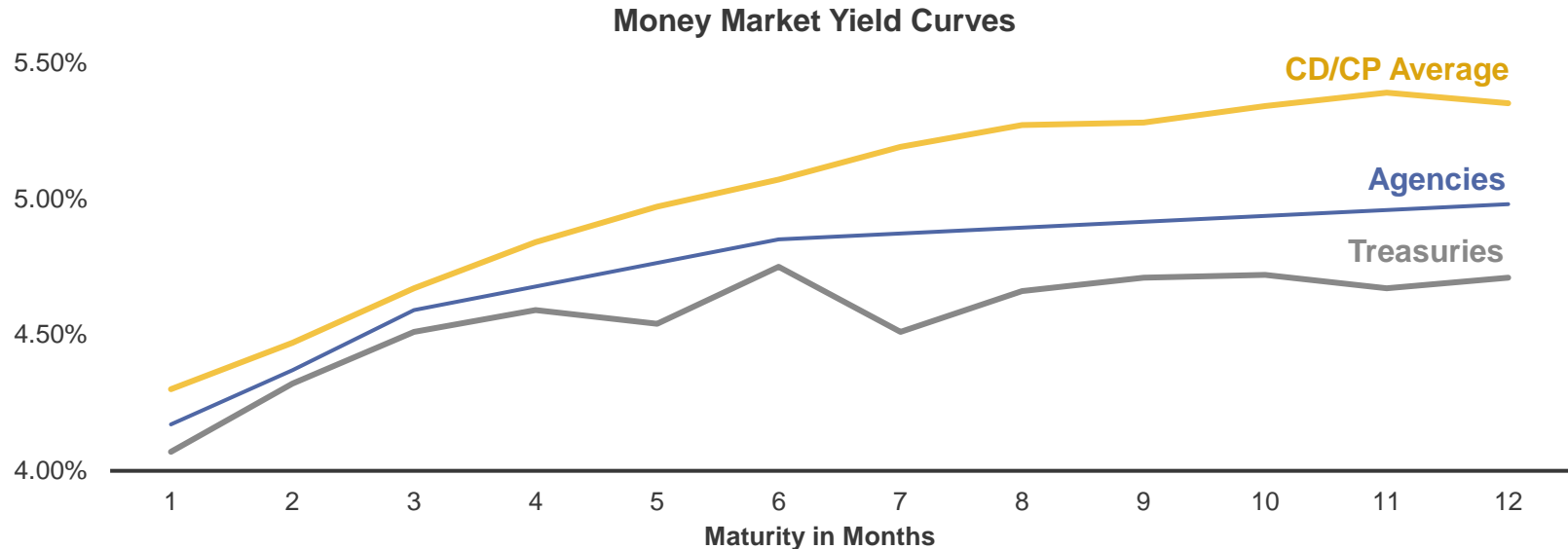
Market Expects Rate Cuts by September



Source: Bloomberg, as of 1/6/2023.

Short-Term Credit Curve Flatter After New Year

- ▶ The yield curve flattened further as the market expects the Fed to step onto the sidelines in the second half of 2023. While a 25 basis point hike is expected at the next FOMC meeting, it will largely be data-dependent. Repo remains the top choice for investors at the front-end of the curve when compared to Treasury bills or agency paper.
- ▶ Fixed agency discount note spreads over Treasuries slightly tightened, while floating rate discounts were mixed to start the new year. Fixed-rate 0- to 3-month maturities offer value when compared to credit. In the floating rate space, the 4- to 6-month part of the curve holds attractive opportunities.
- ▶ As the Fed approaches the terminal rate, CP/CD spreads have tightened vs. Treasuries as the credit curve flattens. Issuers currently have limited funding needs, and demand for maturities in the first few weeks of the year is elevated, leading to additional downward pressure on spread levels.



Sources: Bloomberg and MarketAxess, as of 1/6/2023. Yields are for indicative purposes only; actual yields may vary by issue.

Intermediate/Long Treasury Yields Have Fallen

2-Year Treasury Yield

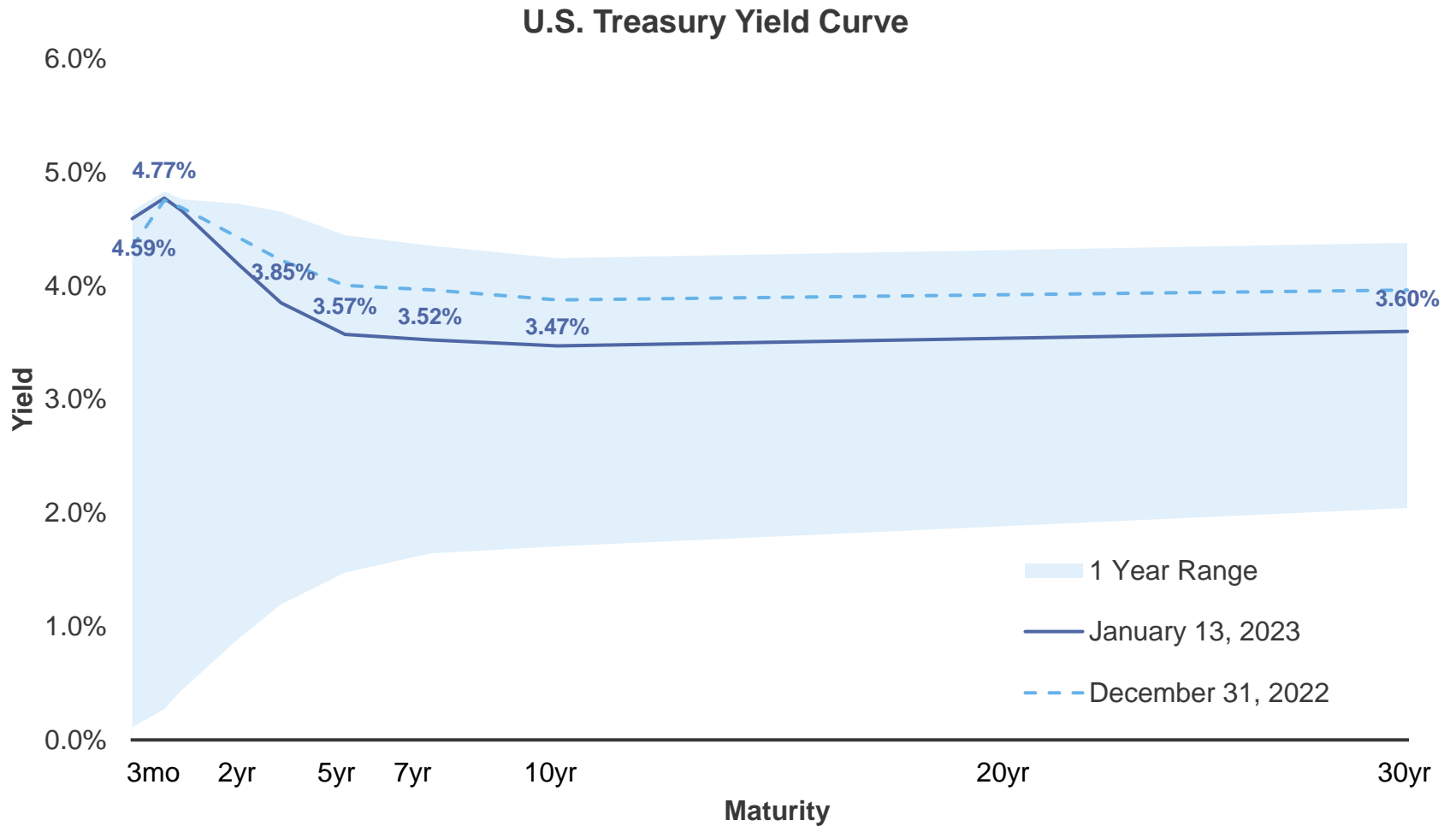


10-Year Treasury Yield



Source: Bloomberg, as of 01/17/2023.

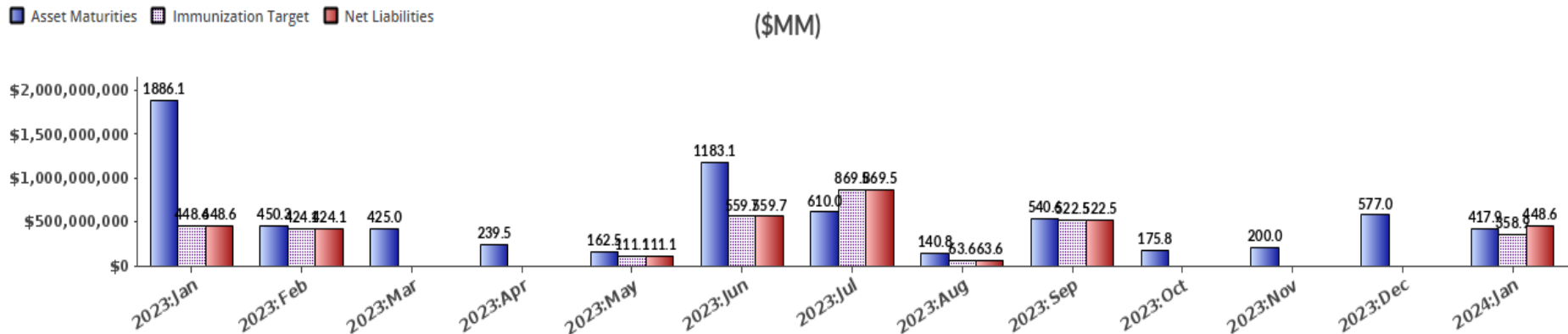
Treasury Curve Inversion Deepens



Source: Bloomberg, as of 01/13/2023.

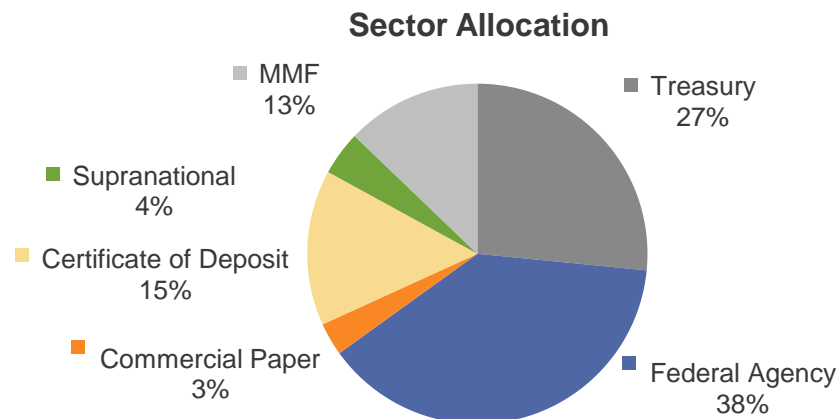
Portfolio Considerations

- Money Market Holdings at \$1,566mm (10.73%).
- Portfolio Duration: 1.38 (January 13,2023):
 - 1.567 April 2022
 - 0.912 April 2021; and
 - 0.591 April 2020.
- Focus on Managing to the Portfolio's Cashflow Profile
 - Maintaining a portfolio duration consistent with the cashflow profile
 - Focus on net negative cash flow months (Duration Optimization)
 - Purchasing Securities that mature on (or slightly before) a known need – such as Payroll, Debt Service, Capital Projects, etc.; and
 - Emphasis on maintaining our 5-year cash forecast

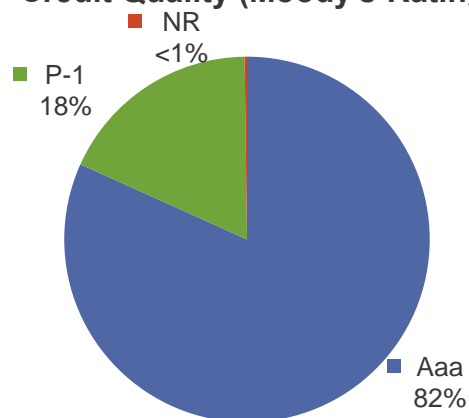


Portfolio Characteristics

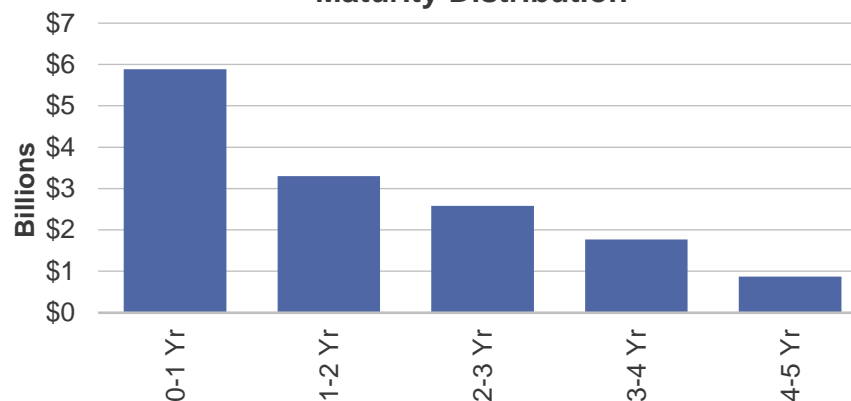
Portfolio Statistics		
	1/6/2023	12/8/2022
Par Amount	\$14.4 bn	\$14.6 bn
Average Duration	1.39 years	1.41 years
Yield to Maturity at Cost	2.12%	1.97%
Yield to Maturity at Market	4.45%	4.38%



Credit Quality (Moody's Ratings)

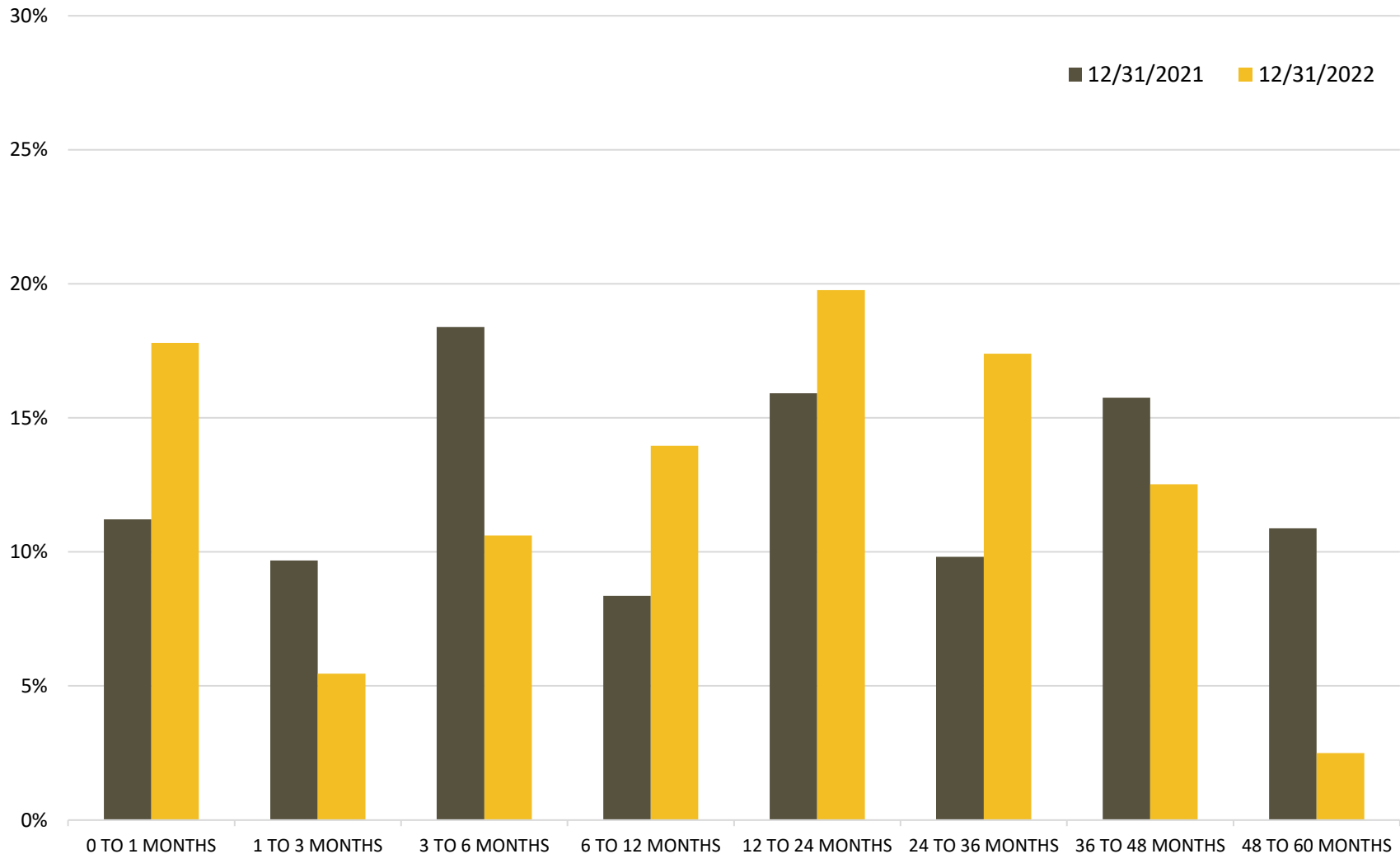


Maturity Distribution

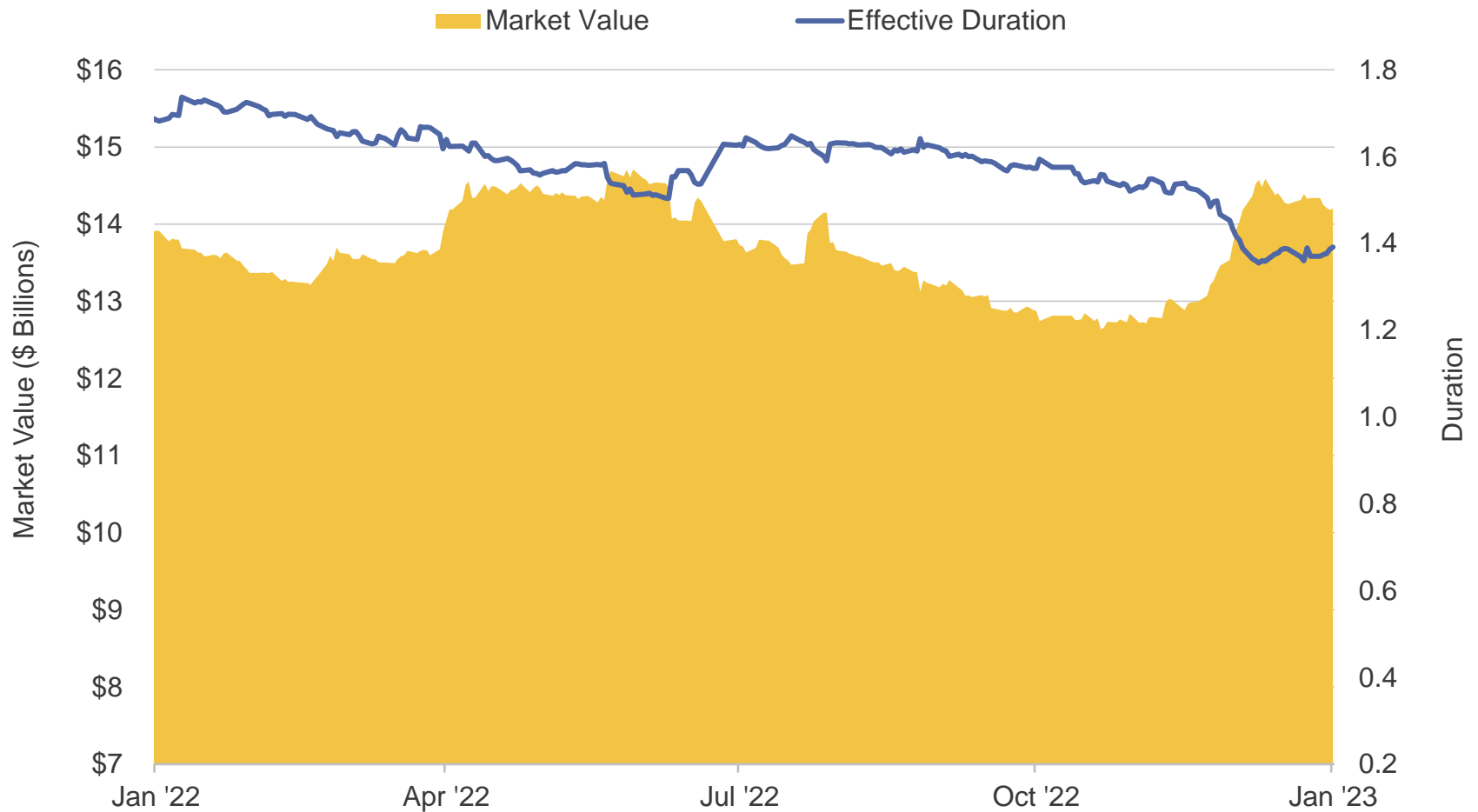


NR (Not Rated) holdings comprise bank CDs. S&P Ratings used if not rated by Moody's.

Historical Maturity Distribution Comparison



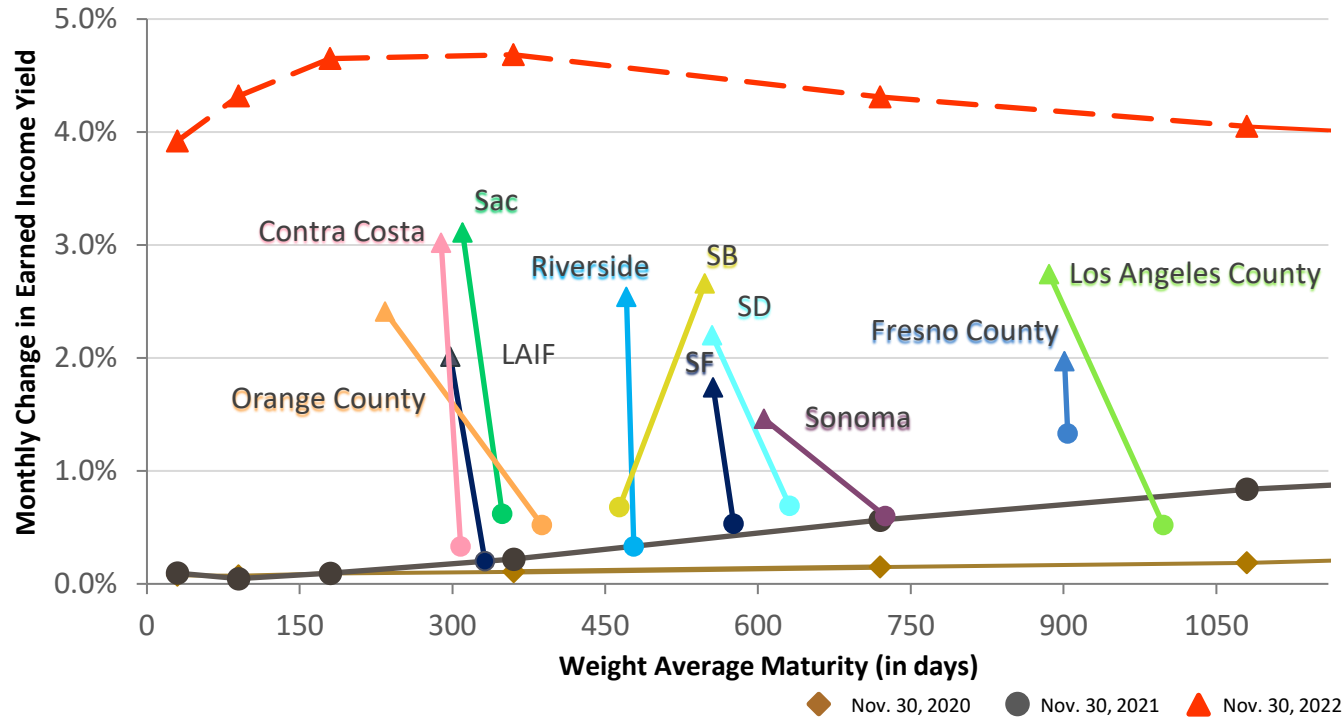
Historical Portfolio Duration & Market Value



Trade Activity (9/30/2022 – 12/31/2022)

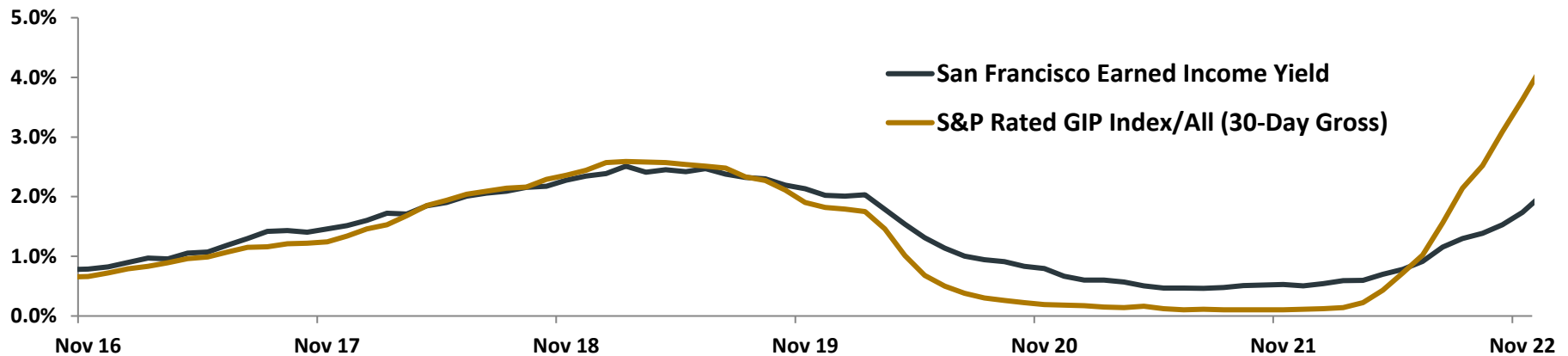


County Pooled Fund Statistics



Name of Fund	Portfolio Size* (\$ mns)
Los Angeles County	47,126.2
LAIF	27,627.3
City and County of San Francisco	13,580.0
San Diego County	13,550.3
San Bernardino County	11,883.7
Riverside County	11,808.8
Orange County	6,263.8
Fresno County	6,194.5
Sacramento County	5,551.2
Contra Costa County	4,384.6
Sonoma County	3,118.8

• as of Nov. 30, 2022



Pool Participants Breakdown

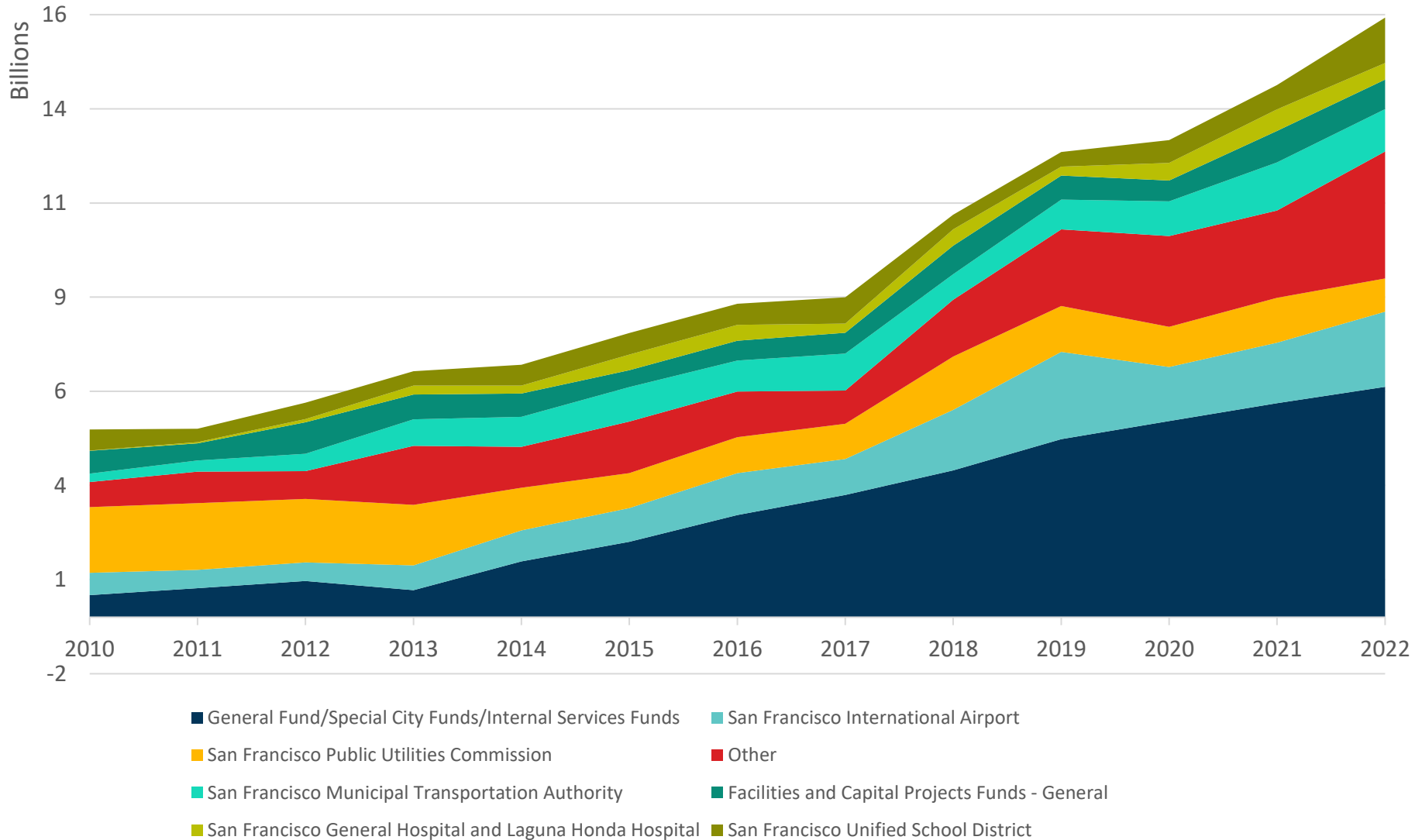
As of December 31, 2022

Pool Participant	Fund Balance	Percent of Fund
General Fund/Special City Funds/Internal Services Funds	\$ 6,114,328,266.9	38.4%
Other agencies (incl. Transbay Joint Powers, Trial Courts)	2,053,040,486.0	12.9%
San Francisco International Airport	1,997,701,073.8	12.5%
San Francisco Unified School District	1,201,762,787.0	7.5%
San Francisco Municipal Transportation Authority	1,129,514,775.0	7.1%
San Francisco Public Utilities Commission	883,434,220.8	5.5%
Facilities and Capital Projects Funds - General	778,074,158.0	4.9%
San Francisco General Hospital and Laguna Honda Hospital	445,938,134.3	2.8%
San Francisco Community College District	436,515,776.0	2.7%
Port of San Francisco	358,486,305.2	2.3%
OCII - Successor Agency – former SFRDA	311,264,385.7	2.0%
Pension and Retiree Health Care Trust Fund	156,954,488.3	1.0%
San Francisco County Transportation Authority	54,466,445.8	0.3%
Totals	\$ 15,921,481,302.8	100.0%

Totals may not add due to rounding

Pool Participants Trends

December 31, 2010 – December 31, 2022



Source: 2010 – 2022 Ending Balance Cognos and FSP Impromptu